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Report Highlights:

Sales to Mexico Results From HRI Latin America/Caribbean Buyers'

Mission*Record Sales of U.S. Soybeans and Products*Extension of NOM-EM-015-

ZOO-2002*The Poultry Sector and Agriculture Armor*Sugar Mills Expropriation

Payment Overdue

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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SALES TO MEXICO RESULTS FROM HRI LATIN AMERICA/CARIBBEAN BUYERS' MISSION

The June 2002 Buyers' Mission to Houston and Atlanta resulted in Mexican purchases of US\$30,000 of U.S. specialty foods, spices and condiments. In just six weeks following the mission, an additional US\$52,000 in orders was placed for products such as offals, beef, beef and products, and seafood. Based on surveys of the participants, we estimate the 12 month sales as a result of this mission will be approximately US\$1 million. (Source: ATO Mexico City, 8/27/02)

RECORD SALES OF U.S. SOYBEANS AND PRODUCTS

Record-breaking sales to Mexico of soybeans and products have pushed exports in soybean equivalents to more than five million metric tons for the first time. According to FAS's Export Sales Report, soybean sales through August 22, 2002, reached 4,170 thousand metric tons (TMT), 13% more than the same time last year and 8% more than last year's total (September 1-August 30 marketing year). This is the first time soybean sales to Mexico have surpassed four million metric tons. Soybean meal exports were 330 TMT through August 22, 2002, 71% greater than the same time last year and 51% higher than last year's total (October 1-September 30 marketing year). Finally, soybean oil exports of 109 TMT (about 545 TMT soybean equivalent) are almost six-times last year's level (same marketing year as soybean meal). The American Soybean Association (ASA) office in Mexico attributes the increase to USB and FMD funded programs, price elasticity, poor quality soybeans from South America and ASA's getting closer to its Mexican customers' needs. (Source: ATO/Mexico City, 8/4/02)

EXTENSION OF NOM-EM-015-ZOO-2002

On September 2, 2002, Mexico's Secretariat of Agriculture, Livestock and Rural Development, Fisheries and Food (SAGARPA) announced in the *Diario Oficial* (Mexican Federal Register) an extension of six more months to the emergency regulation, NOM-EM-015-ZOO-2002, originally published in the *Diario Oficial* on March 1, 2002, to establish technical specifications for control of the use of beta-agonists in animals. The rule applies to all persons or companies who participate directly or indirectly in livestock activities including establishments dedicated to the slaughter of animals and all those who produce, manufacture, transport, trade, import or market these products. (Source: FAS/Mexico, 9/03/02)

THE POULTRY SECTOR AND "AGRICULTURE ARMOR"

As reported in MX 2110 on August 8, 2002, the Government of Mexico unveiled a suit of so-called "agriculture armor," a program of pro-farming strategies, to defend the nation's ailing agriculture sector from cheap food imports. This announcement followed the U.S. farm law, passed in May 2002, which increased agricultural subsidies to an estimated US\$190 billion over the next 10 years. Due to this announcement, the poultry industry indicated that future investments in the sector would be suspended until this "agriculture armor" has a better definition of how it will be implemented. Members of the Poultry Producers Association mentioned that even though the Mexican government's support is not as large as the U.S. Farm Bill producers' support, there is a need for support for grain production and trade, otherwise this sector will not be competitive. Other poultry producers indicate that they expect the "agriculture armor" will benefit the poultry sector and help with the transition to 2003 with the elimination of duties under NAFTA. (Source: *El Mercado Agropecuario*, 8/26/02)

SUGAR MILLS EXPROPRIATION PAYMENT OVERDUE

On September 3, 2001, twenty-seven sugar mills were expropriated by the Mexican government, however, the payments for these properties is overdue. According to local news, these mills had better yields during MY 2001/02 than in prior years. Also, it was noted that due to the government's administration, the commercialization of the sugar market was done in a more orderly way, which allowed the mills to have better producer prices. The National Sugar Cane Workers Association also indicated that the twenty-seven mills had a better administration, therefore, pre-liquidations and liquidations to sugarcane growers were paid on time. The former owners and other analysts think differently and indicate that inefficiency persists and the legal uncertainty affects overall production. For one, the compensation for the mills has not been paid to former owners, and there are no plans as yet to sell the mills. According to Mexican law, there is a year time limit to pay for expropriated property. Furthermore, due to the fact that several of the sugar mills have court injunctions placed against them by the former owners, mills cannot be sold until a decision is filed by the court. Former owners expect to receive their mills back or will demand a fair payment for their mills. Analysts mention that the government should have closed the inefficient mills and changed the sugar laws (*Decreto Cañero* and *Contrato Ley*) to enable a different system of payment for sugarcane based on sugar content and have a different labor system for mill workers based on efficiency rather on seniority. (Source: *El Financiero, Reforma*, 9/02/02)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

| REPORT # | TITLE | DATE |
|----------|--|---------|
| MX2118 | Weekly Highlights & Hot Bites, Issue #28 | 8/29/02 |
| MX2119 | Update to FAIRS Report | 8/30/02 |
| MX2120 | Annual Deciduous Fruit Report | 8/30/02 |
| MX2121 | Service Providers in Mexico | 8/30/02 |

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|--------|---|--------|
| MX2122 | Mexico's Monthly Crop Update, August 2002 | 9/3/02 |
| MX2123 | Positive Outlook for U.S. Grain Exports | 9/4/02 |
| MX2124 | Poultry Annual Report MY 2003 | 9/4/02 |
| MX2125 | Livestock Annual Report | 9/4/02 |
| MX2126 | Mexican Government Announces New Corn Import Certificates | 9/4/02 |

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